Wembley Gypsum Products Sdn Bhd v MST Industrial Systems Sdn Bhd

COURT OF APPEAL (PUTRAJAYA) — CIVIL APPEAL NO W–02–1100 OF 2004
MOKHTAR SIDIN, ZULKEFLI AND LOW HOP BING JJCA
18 SEPTEMBER 2007

Trade Marks — Registered trade marks — Action for infringement — Trade marks used for respondent's products commonly referred to as Gypsum Ceiling Boards — Whether trade marks were capable of registration or were mere descriptions and were not inventive words, but common to the trade in describing Gypsum Ceiling Boards — Appellant counterclaimed for rectification and expungement of registered trade marks — Balance of convenience — Whether there was lack of bona fide and seriousness on the part of appellant in filing defence and counterclaim — Trade Marks Act 1976 ss 10(1)(c), (d), (e), (2), (2A), 37 & 38 — Rules of the High Court 1980 O 87 rr 7 & 9

Trade Marks — Passing off — Goodwill — Respondent had been using trade mark since 1986 — Whether there was misrepresentation by appellant as trader in the course of trade in building industry to respondent's customers, calculated to injure the business or goodwill of respondent and causing actual damage to respondent — Whether respondent had succeeded in establishing all ingredients required to sustain action of passing off

Trade Marks — Infringement of trade mark and passing off — Assessment of damages — Evaluation based on total sales of appellant using four trade marks and the fact that respondent would have made a profit of at least 30%-35% out of loss in sales of its products using four trade marks — Whether there was an error in assessment and award

The plaintiff (the 'respondent') had instituted a claim against the defendant (the 'appellant') for infringement of the respondent's trade marks which were registered as 'PINHOLE', 'SAKURA' and 'FISSURED' (collectively the 'registered trade marks') and also a claim in common law for the tort of passing off of the trade mark known as 'LEOPARD' (collectively the 'four trade marks'). The four trade marks were used in and for the respondent's products commonly referred to as Gypsum Ceiling Boards ('GCB'). The appellant's defence was that the four trade marks were not capable of registration and were mere descriptions of the design on GCB and that the words registered as trade marks were not inventive words, but common to the trade in describing GCB. The appellant had also counterclaimed for rectification and expungement of the registered trade marks.

Held, dismissing the appeal:

(1) The registered trade marks were invented words as they were substantially new

when first used by the respondent. The respondent was also the first to sell GCB using the registered trade marks even before the appellant came into the trade. The registered trade marks were registrable under s 10(1)(c) of the Trade Marks Act 1976 (the 'Act'). The registered trade marks were also words having no direct reference to any character or quality of the goods and were not geographical names. Hence, they were also registrable under s 10(1)(d) of the Act. Under s 10(1)(e) of the Act, the registered trade marks have been shown by evidence to be distinctive marks under s 10(2) of the Act, as further defined in s 10(2A) of the Act. In addition, s 36 of the Act provided that the registration of the registered trade marks shall be prima facie evidence of validity. Under s 37 of the Act, the original registration shall be taken to be valid (see para 18-22).

(2) Prior to the filing of the defence and counterclaim, the appellant has never raised any objection to the registration of the registered trade marks. In any event, the respondent's objection raised in the defence and counterclaim for rectification had not even complied with O 87 rr 7 and 9 of the Rules of the High Court 1980 (the 'RHC'), which requires the appellant to serve the counterclaim on the Registrar of Trade Marks. The appellant's failure to comply with the provisions of O 87 rr 7 and 9 of the RHC evinced the lack of bona fide and seriousness on the part of the appellant in filing the defence and counterclaim (see para 24–27).

(3) The respondent has established exclusivity in the use of the registered trade marks since 1986/1987 and that the respondent had advertised them extensively, while the appellant began using the registered trade marks only in early 1991. The trial court did not err in finding that the trade mark 'LEOPARD' belonged to the respondent (see para 28).

(4) The appellant was neither the registered proprietor nor the permitted user of the registered trade marks. Notwithstanding that, the appellant had used trade marks which are identical with or so nearly resembling them as were likely to deceive or cause confusion in the course of the trade in relation to the goods in respect of which the registered trade marks are registered. There was also adequate evidence that the defendant had been selling its GCB in 1991 under the same name and get up of the respondent's GCB. Further, three of the respondent's employees have joined the defendant in order to achieve this purpose. It was a means to an end. The appellant's conduct constituted infringement under s 38 of the Act. The facts demonstrated that the appellant had used the registered trade marks for commercial benefit and to injure the appellant's business. The appellant cannot be heard to rely on the defence of using the trade marks in good faith by way of description of character or quality of the goods under s 40(1)(a) and (b) of the Act (see para 32–34).

(5) The respondent had been using the word 'LEOPARD' as a trade mark since 1986 and had expended large sums of money, thereby gaining goodwill in the sale of the respondent's GCB products under this trade mark. Subsequently, the appellant became the respondent's supplier of raw materials from which the respondent manufactured and marketed GCB products under the trade mark 'LEOPARD'. Witnesses who testified for the appellant did not deny using the word 'LEOPARD'. However, they said that it was not used as a trade mark.

There was misrepresentation by the appellant as a trader in the course of trade in the building industry to the respondent's customers, calculated to injure the business or goodwill of the respondent and causing actual damage to the respondent. However, it was unnecessary to make the distinction as to whether the respondent has actually suffered damage or is likely to suffer substantial damage because the respondent in this appeal has actually suffered damage (see para 37–42).

(6) The respondent had succeeded in establishing all the ingredients required to sustain the action of passing off against the appellant. The trial court had assessed damages in the sum of RM4,831,450 by taking into account the respondent's total sales and the appellant's profit margin (ie RM14,866,000 x 32.5% = RM4,831,450). This was a right evaluation taking into account the evidence of the appellant's own witness, showing that the total sales of the appellant's GCB products using the four trade marks amounted to RM14,866,000 (see para 48).

(7) The appellant had failed to dispute the fact that the respondent would have made a profit of at least 30% - 35% out of the loss in the sales of the GCB products using the four trade marks. The trial court adopted an average of 32.5% in assessing damages. The trial court had occasioned no error in the assessment and award of the sum of RM4,831,450 as damages to the respondent. There was also found no error in the award of interest at the rate of 8% per annum from 31 January 1991 (the date of first wrongful use of the four trade marks) to the date of realization (see paras 50–51).

[Bahasa Malaysia summary

Plaintif ('responden') telah memulakan satu tuntutan terhadap defendan ('perayu') untuk perlanggaran cap dagangan responden yang telah didaftarkan sebagai 'PINHOLE', 'SAKURA' dan 'FISSURED' (secara kolektif 'cap dagangan yang didaftarkan') dan juga menuntut dalam Common Law bagi tort kelirupaan cap dagangan dikenali sebagai 'LEOPARD' (secara kolektifnya 'empat cap dagangan'). Empat cap dagangan telah digunakan dalam dan untuk produk-produk responden biasanya dirujuk kepada Gypsum Ceiling Boards ('GCB'). Pembelaan perayu adalah bahawa empat cap dagangan tidak berupaya untuk didaftarkan dan adalah hanya penerangan reka bentuk GCB dan perkataan-perkataan yang didaftarkan sebagai cap dagangan adalah bukan perkataan-perkataan yang dicipta, tetapi adalah kebiasaan kepada perniagaan untuk menggambarkan GCB. Perayu juga membuat tuntutan balas untuk pembaikan dan memadamkan cap dagangan yang didaftarkan.

Diputuskan, menolak rayuan

(1) Cap dagangan yang didaftarkan adalah penciptaan perkataan-perkataan kerana ia sebahagian besarnya adalah baru pertama kali digunakan oleh responden. Responden adalah yang pertama menjual GCB menggunakan cap dagangan yang didaftarkan sebelum perayu muncul dalam perniagaan. Cap dagangan yang didaftarkan telah didaftarkan di bawah s 10(1) Akta Cap Dagangan 1976 ('Akta'). Cap dagangan yang didaftarkan adalah perkataan-perkataan yang

tidak mempunyai rujukan terus kepada sebarang sifat atau kualiti barang-barang dan bukan nama geografi. Justeru, ia juga boleh didaftarkan di bawah s 10(1)(d) Akta. Di bawah s 10(1)(e) Akta, cap dagangan yang didaftarkan telah ditonjolkan melalui keterangan sebagai tanda-tanda tersendiri di bawah s 10(2) Akta, sebagaimana didefinisikan seterusnya dalam s 10(2A) Akta. Tambahan pula, s 36 Akta menyediakan bahawa pendaftaran cap dagangan yang didaftarkan hendaklah menjadi keterangan prima facie kesahan. Di bawah s 37 Akta, pendaftaran asal hendaklah dikira sebagai sah (lihat perenggan 18–22).

(2) Sebelum memfailkan pembelaan dan tuntutan balas, perayu tidak pernah membangkitkan sebarang bantahan kepada pendaftaran cap dagangan yang telah didaftarkan. Dalam sebarang keadaan, bantahan responden yang dibangkitkan dalam pembelaan dan tuntutan balas untuk pembaikan tidak mematuhi A 87 k 7 dan 9 Kedah-kaedah Mahkamah Tinggi 1980 ('KMT'), yang memerlukan perayu menyerahkan tuntutan balas ke atas Pendaftar Cap Dagangan. Kegagalan perayu untuk mematuhi peruntukkan A 87 k 7 dan 9 KMT memperlihatkan kekurangan bona fide dan keseriusan di pihak perayu dalam memfailkan pembelaan dan tuntutan balas. (lihat perenggan 24–27).

(3) Responden telah mewujudkan sifat eksklusif di dalam penggunaan cap dagangan semenjak 1986/1987 dan bahawa responden telah mengiklankan mereka secara meluas, manakala perayu hanya mula menggunakan tanda-tanda niaga hanya di awal 1991. Mahkamah bicara tidak khilaf dalam penemuannya bahawa tanda niaga 'LEOPARD' adalah kepunyaan responden (lihat perenggan 28).

(4) Perayu tidak merupakan tuan punya berdaftar mahupun pengguna yang dibenarkan untuk tanda-tanda niaga yang telah didaftarkan. Walaupun begitu, perayu telah menggunakan tanda-tanda niaga yang sama dengan atau hampir serupa dengan mereka yang satu-satunya untuk menipu atau menyebabkan kekeliruan dalam perjalanan perniagaan berkaitan barang-barang dari segi tanda-tanda niaga telah didaftarkan. Terdapat juga keterangan-keterangan yang mencukupi bahawa defendan telahpun menjual GCBnya dalam tahun 1991 di bawah nama sama dan serupa barang dengan GCB responden. Seterusnya, tiga daripada pekerja responden telah bersama defendan untuk mencapai matlamat ini. Ia bermaksud untuk satu penamat. Kelakuan perayu membentuk perlanggaran di bawah s 38 Akta. Fakta-fakta yang telah ditunjukkan bahawa perayu telah menggunakan tanda-tanda niaga yang didaftarkan untuk tujuan komersial dan mengganggu perniagaan perayu. Perayu tidak boleh kedengaran untuk bergantung kepada pembelaan dengan menggunakan tanda-tanda niaga dalam suci hati dengan menggambarkan sifat dan kualiti barang-barang di bawah s 40(1)(a) dan (b) Akta. (lihat perenggan 32–34).

(5) Responden telah menggunakan perkataan 'LEOPARD' sebagai tanda-tanda niaga sejak tahun 1986 dan telah mengeluarkan jumlah wang yang banyak, dan dengan itu mendapat nama baik dalam penjualan produk GCB responden di bawah tanda niaga ini. Kemudiannya, perayu menjadi pengedar responden untuk material-material mentah yang mana responden telah mengilang dan memasarkan produk-produk GCB di bawah tanda niaga 'LEOPARD'. Saksi-saksi yang memberikan keterangan untuk perayu tidak menafikan

penggunaan perkataan 'LEOPARD'. Walau bagaimanapun, mereka mengatakan bahawa ia tidak digunakan sebagai cap dagangan. Terdapat salah nyata oleh perayu sebagai peniaga dalam perjalanan perniagaan dalam industri bangunan kepada pelanggan-pelanggan responden, yang dikira akan menjejaskan perniagaan dan nama baik responden dan menyebabkan kerugian nyata kepada responden. Walau bagaimanapun, tidak perlulah untuk membuat perbandingan untuk sama ada responden telah mengalami kerugian nyata atau hanya mengalami kerugian yang besar kerana responden dalam rayuan ini telahpun mengalami kerugian. (lihat perenggan 37–42).

(6) Responden telah berjaya mewujudkan kesemua faktor-faktor yang diperlukan untuk berjaya dalam tindakan kelirupaan terhadap perayu. Mahkamah bicara telah menilai kerugian untuk jumlah RM4,831,450 dengan mengambil kira jumlah jualan responden dan margin keuntungan perayu (iaitu 14,866 x 32.5% =RM4,831,450). Ini adalah penilaian yang betul dengan mengambil kira keterangan saksi perayu sendiri, yang menunjukkan bahawa jumlah jualan produk GCB perayu menggunakan empat cap dagangan berjumlah RM14,866 (lihat perenggan 48).

(7) Perayu telah gagal untuk mempertikaikan fakta bahawa responden akan dapat membuat keuntungan sekurang-kurangnya 30% - 35% daripada kerugian dalam jualan produk-produk GCB dengan menggunakan empat cap dagangan. Mahkamah bicara telah meminjam pendekatan purata 32.5% dalam menentukan ganti rugi. Mahkamah bicara tidak mengalami kekhilafan dalam penilaian dan award sebanyak RM4,831,450 sebagai ganti rugi kepada responden. Di sana juga tidak didapati sebarang kesalahan dalam mengawardkan faedah pada kadar 8% setahun daripada 31 Januari 1991 (tarikh penggunaan secara salah empat tanda-tanda niaga) sehingga tarikh penyelesaian sepenuhnya (lihat perenggan 50–51).]

Notes

For cases on action for infringement, see 12 *Mallal's Digest* (4th Ed, 2005 Reissue) paras 2125–2126.

For cases on assessment of damages generally, see 12 *Mallal's Digest* (4th Ed, 2005 Reissue) paras 2019–2043.

For cases on goodwill, see 12 *Mallal's Digest* (4th Ed, 2005 Reissue) paras 2077–2079.

Cases referred to

Compagnie Generale Des Eaux v Compagnie Generale Des Eaux Sdn Bhd [1977] FSLR 610 (refd)

Erven Warnink Besloten Vennootschap & Anor v J Townend & Sons (Hull) Ltd [1979] AC 731 (refd)

UDA Holdings Sdn Bhd v Koperasi Pasaraya Malaysia Bhd [2007] 6 MLJ 530 (refd)

Legislation referred to

Rules of the High Court 1980 O 87 rr 7 & 9
Trade Marks Act 1976 Part IV ss 10, 36, 37, 38, 40

Appeal from: Civil Suit No D4–22–289 of 1991 (High Court, Kuala Lumpur)

SF Wong (R Mohana Krishnan with him) (Kumar Partnership) for the appellant.
Shahul Hamid Amiruddin (Sng & Co) for the respondent.

Low Hop Bing JCA (delivering judgment of the court):

APPEAL

[1] After hearing nine witnesses and submissions, the learned judge of the Kuala Lumpur High Court had on 10 September 2004 found for the plaintiff and ordered the defendant to pay damages in the sum of RM4,831,450 with interest and costs, and dismissed the defendant's counterclaim with costs.

[2] The defendant has appealed against the whole of the aforesaid decision.

[3] On 8 January 2007, after hearing submissions, we had unanimously dismissed the defendant's appeal. We now give our grounds of judgment.

[4] The parties are referred to in the same capacities as in the High Court.

PLAINTIFF'S CLAIM

[5] The plaintiff instituted a claim against the defendant for infringement of the plaintiff's trade marks which were registered as 'PINHOLE', 'SAKURA' and 'FISSURED' (collectively, 'the registered trade marks') and also a claim in common law for the tort of passing off of the trade mark known as 'LEOPARD' (collectively, all these four trade marks are referred to as 'the four trade marks').

[6] The four trade marks were used in and for the plaintiff's products commonly referred to as Gypsum Ceiling Boards ('GCB').

DEFENCE AND COUNTERCLAIM

[7] The defendant's defence is that the four trade marks are not capable of registration but were mere descriptions of the design on GCB and that the words registered as trade marks are not inventive words, but common to the trade in describing GCB.

[8] The defendant had also counterclaimed for rectification and expungement of the registered trade marks.

FINDING OF FACTS

[9] The essential facts as found by the trial court may be narrated as follows:

(1) The plaintiff was and is the registered owner of the registered trade marks. The registered trade marks after expiry were renewed for a further period of 14 years (PINHOLE on 12 October 2001, FISSURED on 12 October 2001 and SAKURA on 20 September 2003).

(2) The plaintiff had manufactured and marketed GCB under the registered trade marks from 1986 and had more than 200 customers.

(3) From July 1980 to the end of 1990, the defendant was a supplier of raw materials in the form of gypsum boards to the plaintiff.

(4) The defendant had not lodged any complaint or objection against the plaintiff's application for registration of the registered trade marks or instituted any proceedings against the Registrar of Trade Marks either for rectification, expungement or subsequent renewal of the registered trade marks.

(5) The defendant had used the plaintiff's registered trade marks on its products from early 1991 until 1994 when, through the plaintiff's erstwhile solicitors, two cease and desist letters respectively dated 6 December 1994 and 12 December 1994 were issued whereby the defendant ceased to use the plaintiff's registered trade marks.

(6) The defendant had not filed any application to register the trade marks.

(7) The first time that the defendant raised an objection to the registrability and validity of the registered trade marks was in the counterclaim which, contrary to O 87 rr 7 and 9 of the Rules of the High Court 1980 (O 87 rr 7 and 9), had never been served on the Registrar of Trade Marks.

(8) The defendant's yearly sales from 1991 until 1994 of its products bearing the four trade marks was RM14,866,000.

(9) The plaintiff's profit margin on the sale of its GCB products bearing the four trade marks was 30% to 35%.

(10) The trade mark 'LEOPARD' belongs to the plaintiff.

[10] Other facts which are relevant to this appeal will be narrated later in this judgment.

REGISTRABILITY OF TRADE MARKS

[11] It was contended by learned counsel Mr SF Wong (Mr R Mohana Krishnan with him) that the plaintiff's registered trade marks are incapable of being registered under the Trade Marks Act 1976.

[12] Plaintiff's learned counsel Mr Shahul Hamid Amiruddin submitted that plaintiff's registered trade marks are distinctive, invented words which have been duly registered by the Registrar of Trade Marks and the defendant had never raised any objection thereto, except in the defence and counterclaim herein.

[13] In our view, the law governing registrable trade marks is to be found in Part IV of the Trade Marks Act 1976. (A reference to a section hereinafter is a reference to that section in the Trade Marks Act 1976 unless otherwise stated)

[14] Section 10(1), where relevant, merits reproduction as follows:

> Registrable trade marks
>
> (1) In order for a trade mark (other than a certification trade mark) to be registrable, it shall contain or consist of at least one of the following particulars:
>
> (a) ...;
>
> (b) ...;
>
> (c) an invented word or words;
>
> (d) a word having no direct reference to the character or quality of the goods or services not being, according to its ordinary meaning, a geographical name or surname; or
>
> (e) any other distinctive mark.

[15] Under s 10(2), a word under s 10(1)(c) is not registrable unless it is by evidence shown to be distinctive.

[16] In essence, s 10(2A) defines the word 'distinctive' as capable of distinguishing goods or services with which the proprietor of the trade mark is or may be connected in the course of trade from goods or services in the case of which no such connection subsists.

[17] In the light of the finding of facts by the trial court, the provisions of s 10(1)(c), (d) and (e) are of special significance.

[18] The plaintiff's registered trade marks are invented words as they are substantially new when first used by the plaintiff. The plaintiff was also the first to sell GCB using the registered trade marks even before the defendant came into the trade. These invented words are registrable under s 10(1)(c).

[19] The words 'PINHOLE', 'SAKURA', and 'FISSURED', which constitute the plaintiff's registered trade marks, are also words having no direct reference to any character or quality of the goods and are not geographical names. Hence, they are also registrable under s10(1)(d).

[20] In any event, under s10(1)(e), the registered trade marks have been shown by evidence to be distinctive marks under s 10(2), as further defined in s 10(2A).

[21] Section 36 provides that the registration of the plaintiff's registered trade marks shall be prima facie evidence of validity. Section 36 reads as follows:

> 36. Registration prima facie evidence of validity
>
> In all legal proceedings relating to a registered trade mark (including application under s 45) the fact that a person is registered as proprietor of the trade mark shall be prima facie evidence of the validity of the original registration of the trade mark and of all subsequent assignments and transmissions thereof.

[22] Under s 37, the original registration shall be taken to be valid. This section where relevant merits reproduction as follows:

> 37. Registration conclusive
>
> In all legal proceedings relating to a trade mark registered in the Register (including application under s 45), the original registration of the trade mark under this Act shall, after the expiration of seven years from the date thereof, be taken to be valid in all respects unless it is shown —
>
> (a) that the original registration was obtained by fraud;
>
> (b) that the trade mark offends against s 14; or
>
> (c) that the trade mark was not, at the commencement of the proceedings, distinctive of the goods or services of the registered proprietor,…

[23] There is no evidence that any of the exceptions under s 37(a), (b) or (c) is applicable.

[24] It is significant to note that prior to the filing of the defence and counterclaim, the defendant has never raised any objection to the registration of the plaintiff's registered trade marks. In any event, the defendant's objection raised in the defence and counterclaim for rectification had not even complied with O 87 rr 7 and 9.

[25] Order 87 r 7, which requires the defendant to serve the counterclaim on the Registrar of Trade Marks, reads:

> 7. Counterclaim for rectification of registrar (O 87 r 7)
>
> A defendant in an action for infringement may, in regard to any registered trade mark in issue, counterclaim for the rectification of the register and shall within the time limited for the delivery of the counterclaim serve the Registrar with the same, and the Registrar shall be entitled to take such part in the action as he may think fit without delivering a defence or other pleading.

[26] Further, O 87 r 9 contains detailed procedure for disputing the validity of registration as follows:

> 9. Proceeding for infringement of registered trade mark: Validity of registration disputed (O 87 r 9)
>
> (1) Where in any proceedings a claim is made for relief for infringement of the right to the use of a registered trade mark, the party against whom the claim is made may in his defence put in issue the validity of the registration of that trade mark or may counterclaim for an order that the register of trade marks be rectified by cancelling or varying the relevant entry or may do both those things.
>
> (2) A party to any such proceedings who in his pleading (whether a defence or counterclaim) disputes the validity of the registration of a registered trade mark must serve with the pleading particulars of the objections to the validity of the registration on which he relies in support of the allegation of invalidity.
>
> (3) A party to any such proceedings who counterclaims for an order that the register of trade marks be rectified must serve on the Registrar of Trade Marks a copy of the

counterclaim together with a copy of the particulars mentioned in para (2); and the Registrar of Trade Marks shall be entitled to take such part in the proceedings as he may think fit but need not serve a defence or other pleading unless ordered to do so by the Court.

[27] The defendant's failure to comply with the provisions of O 87 rr 7 and 9 clearly evinces the lack of bona fide and seriousness on the part of the defendant in filing the defence and counterclaim.

[28] In our view, there can be no doubt that designs and patterns of the plaintiff's registered trade marks are capable of being registered as trade marks. Further the words 'PINHOLE', 'SAKURA' and 'FISSURED' used by the plaintiff are indeed registered trade marks. There is ample evidence to support the trial court's finding of facts that the plaintiff has established exclusivity in the use thereof since 1986/1987 and that the plaintiff had advertised them extensively, while the defendant began using these trade marks only in early 1991.

[29] We are also of the view that the trial court did not err in finding that the trade mark 'LEOPARD' belongs to the plaintiff.

INFRINGEMENT

[30] The next ground advocated for the defendant is that the defendant had not infringed the plaintiff's trade marks.

[31] The plaintiff contended that there was such an infringement within the ambit of s 38.

[32] In our judgment, we find that the defendant was neither the registered proprietor nor the permitted user of the plaintiff's registered trade marks. Notwithstanding that, the defendant had used trade marks which are identical with or so nearly resembling them as are likely to deceive or cause confusion in the course of the trade in relation to the goods in respect of which the plaintiff's trade marks are registered.

[33] There is also adequate evidence that the defendant had been selling its GCB in 1991 under the same name and get up of the plaintiff's GCB. Further, three of the plaintiff's employees have joined the defendant in order to achieve this purpose. It was a means to an end.

[34] The defendant's conduct certainly constitutes infringement under s 38. The facts clearly demonstrate that the defendants had used the trade marks for commercial benefit and to injure the plaintiff's business. That being the case, the

defendant cannot be heard to rely on the defence of using the trade marks in good faith by way of description of character or quality of the goods under s 40(1)(a) and (b).

PASSING OFF

[35] The defendant argued that it did not commit the common law tort of passing off in relation to the trade mark 'LEOPARD'.

[36] The plaintiff stressed that the trial court had correctly found the defendant liable in passing off.

[37] We note that the trial court had arrived at a finding of fact that the plaintiff had been using the word 'LEOPARD' as a trade mark since 1986 and had expended large sums of money, thereby gaining goodwill in the sale of the plaintiff's GCB products under this trade mark. Subsequently, the defendant became the plaintiff's supplier of raw materials from which the plaintiff manufactured and marketed GCB products under the trade mark 'LEOPARD'.

[38] Witnesses who testified for the defendant did not deny using the word 'LEOPARD'. However, they said that it was not used as a trade mark. The trial court held that there was misrepresentation by the defendant as a trader in the course of trade in the building industry to the defendant's customers, calculated to injure the business or goodwill of the plaintiff and causing actual damage to the plaintiff.

[39] In the light of the trial court's aforesaid finding of facts, it is instructive for us to refer to the celebrated case of *Erven Warnink Besloten Vennootschap & Anor v J Townend & Sons (Hull) Ltd* [1979] AC 731. At p 742, Lord Diplock identified the ingredients required to sustain an action for passing off as:

(1) a misrepresentation;

(2) made by a trader in the course of trade;

(3) to prospective customers of his or ultimate consumers of goods or services supplied by him;

(4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence); and

(5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.

[40] It is to be noted that in the same case, Lord Fraser LJ said at p 742 that in order to establish passing off, the plaintiff must prove 'that he has suffered damage or is likely to suffer substantial damage'.

[41] In *Compagnie Generale Des Eaux v Compagnie Generale Des Eaux Sdn Bhd* [1997] FSLR 610; [1996] 3 AMR 4015, R Kamalanathan J (as he then was) said in relation to proof of damage:

> ... in a passing off action, a plaintiff does not have to prove actual damage in order to succeed. Likelihood of damage is sufficient. One of the ways in which a business reputation may be injured is by the appropriation of that reputation or part of it by a third party.

[42] However, for the purposes of the instant appeal, we consider it unnecessary to make the distinction as to whether the plaintiff has actually suffered damage or is likely to suffer substantial damage because the plaintiff in this appeal has actually suffered damage, as will be seen later in this judgment.

[43] We are satisfied that the trial court had correctly found that the plaintiff has succeeded in establishing all the ingredients required to sustain the action of passing off against the defendant.

DAMAGES

[44] The defendant stressed that the trial court had erred in the assessment of damages and so the award of RM4,831,450 by way of damages could not be sustained.

[45] The plaintiff subscribed to the view that there was no misdirection by the trial court in the assessment of damages.

[46] In our judgment, it is useful to set out the general object of awarding damages, contained in *Clerk & Lindsell on Torts* (16th Ed), at p 254 para 5–04:

> The general object of an award of damages is to compensate the plaintiff for the losses, pecuniary and non-pecuniary, sustained as a result of the defendant's tort. More specifically, the assessment process is said to aim at restitutio in integrum. The general principle is, in the off-quoted words of Lord Blackburn, that the court should award 'that sum of money which will put the party who has been injured, or who has suffered, in the same position as he would have been in if he had not sustained the wrong for which he is now getting his compensation or reparation.' The principle admits of application to losses which are capable of reasonable precise calculation in money terms.
>
> (see also *UDA Holdings Sdn Bhd v Koperasi Pasaraya Malaysia Bhd* [2007] 6 MLJ 530 (CA)).

[47] The question is whether the sum has been correctly awarded by the trial court and is consistent with the above general object and principle.

[48] The trial court had assessed damages in the sum of RM4,831,450 by taking into account the plaintiff's total sales and the defendant's profit margin (ie RM14,866,000 x 32.5% = RM4,831,450)

[49] In our view, the trial court had rightly evaluated the evidence of the defendant's own witness (DW1), showing that the total sales of the defendant's GCB products using the trade marks amounted to RM14,866,000.

[50] It was the trial court's finding that the defendant had failed to dispute the fact that the plaintiff would have made a profit of at least 30% – 35% out of the loss in the sales of the GCB products using the trade marks. The trial court adopted an average of 32.5% in assessing damages.

[51] We are also of the view that the trial court had occasioned no error in the assessment and award of the sum of RM4,831,450 as damages to the plaintiff. There was also found no error in the award of interest at the rate of 8% per annum from 31 January 1991 (the date of first wrongful use of the trade marks) to the date of realization.

CONCLUSION

[52] On the foregoing grounds, we dismissed the defendant's appeal with costs and affirmed the aforesaid orders of the trial court. Deposit to the plaintiff on account of taxed costs.

Appeal dismissed with costs.

Reported by Peter Ling